

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 COME-00 TRSY-02 OMB-01 L-03

H-01 SP-02 CIAE-00 INR-07 NSAE-00 OPIC-03 /034 W

-----010827Z 094120 /17

R 311321Z MAR 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7124

C O N F I D E N T I A L CARACAS 3171

EO 11652 GDS

TAGS: EIND EINV VE

SUBJ: OWENS-ILLINOIS CASE

REF: CARACAS 3088

1. CARL PHILLIPS, LOCAL OWENS-ILLINOIS REPRESENTATIVE INFORMED THE EMBASSY THAT WILLIAM COLEMAN HAD ARRIVED AT A PROMISING UNDERSTANDING WITH MINISTRY OF DEVELOPMENT LUIS ALVAREZ DOMINGUEZ LAST NIGHT. O-I FINESSED THE THIRD ARBITER ISSUE BY PROPOSING THAT A MUTUALLY AGREED UPON INTERNATIONAL APPRAISAL FIRM BE SELECTED FOR THE VALUATION OF THE O-I HOLDINGS IN VENEZUELA. THE FIRM'S APPRAISAL WOULD BE NON-BINDING. IF ACCEPTED, HOWEVER, O-I WOULD REVALUE THE ASSETS CARRIED ON THEIR BOOKS AND ISSUE A STOCK DIVIDEND. BOOK VALUE WOULD BECOME, IN EFFECT, REPLACEMENT VALUE. O-I WOULD BE OBLIGATED TO REINVEST THE PROCEEDS OF THE SALE TO THE GOV IN VENEZUELA, PRESUMABLY IN A NEW GLASS PLANT. THE NEW COMPANY WOULD BE POSSIBLY A SAICA, A FORM OF CORPORATION WHOSE STOCK MUST BE TRADED PUBLICLY AND WIDELY HELD BY EMPLOYEES AND SMALL INVESTORS. PHILLIPS SAID THAT ALVAREZ DOMINGUEZ HAD OBTAINED PRESIDENT PEREZ' APPROVAL FOR THIS SCENARIO.

2. ACCORDING TO PHILLIPS, THERE IS STILL ANY NUMBER OF POSSIBLE PITFALLS AND HITCHES, AND MANY DETAILS TO
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WORK OUT. IN CERTAIN RESPECTS, HOWEVER, SUCH A SCENARIO WOULD BE SUPERIOR TO THE PREVIOUS PLANS FOR THE EXPANSION OF THEIR FACILITIES IN CONJUNCTION WITH THE GOV. IN THE LATTER ARRANGEMENT, O-I WOULD HAVE HAD TO ENGAGE IN THE EXPANSION PRIOR TO NEGOTIATING A REASONABLE PRICE FOR THEIR OLD FACILITIES. UNDER THE NEW PROPOSAL, NEGOTIATIONS ON PRICE WOULD BE CONCLUDED PRIOR TO ARRANGE-

MENTS FOR A NEW PLANT. PHILLIPS INDICATED THAT COLEMAN
HAD LEFT VENEZUELA IN A GUARDEDLY OPTIMISTIC FRAME OF
MIND.
VAKY

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, NEGOTIATIONS
Control Number: n/a
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Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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SAS ID: 3049445
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Status: NATIVE
Subject: OWENS-ILLINOIS CASE
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